

**BAXTER INTERNATIONAL INC.**  
**Cash Flows from Operations and Changes in Net Debt**  
(unaudited)  
(\$ in millions)

Cash Flows from Operations (Brackets denote cash outflows)	Three Months Ended March 31,	
	2006	2005
	Net income	\$282
Adjustments		
Depreciation and amortization	139	147
Deferred income taxes	2	23
Stock compensation	18	1
Other	18	17
Changes in balance sheet items		
Receivables	38	59
Inventories	(63)	19
Accounts payable and accrued liabilities	(105)	(259)
Restructuring payments	(19)	(43)
Other	(5)	82
<b>Cash flows from operations</b>	<b>\$305</b>	<b>\$272</b>

Changes in Net Debt Increase (decrease)	Three Months Ended March 31,	
	2006	2005
	<b>Net debt, January 1</b>	<b>\$2,497</b>
Cash flows from operations	(305)	(272)
Capital expenditures	76	65
Dividends	363	359
Issuances of common stock	(1,249)	-
Purchases of treasury stock	171	-
Other, including the effect of exchange rate changes	(29)	156
<b>Increase (decrease) in net debt</b>	<b>(973)</b>	<b>308</b>
<b>Net debt, March 31</b>	<b>\$1,524</b>	<b>\$3,493</b>

Key statistics, March 31:		
Days sales outstanding	54.8	59.2
Inventory turns	2.6	2.6
Net-debt-to-capital ratio (A)	21.0%	34.9%

- (A) The decrease in the debt-to-capital ratio from March 31, 2005 to March 31, 2006 primarily related to the settlement of the company's equity units. In February 2006, the purchase contracts included in the company's equity units matured, and the company issued approximately 35 million common shares in exchange for \$1.25 billion. Management used a portion of the cash proceeds to pay down maturing debt. The net-debt-to-capital ratio at March 31, 2005 was calculated in accordance with the company's primary credit agreements, which gave 70% equity credit to the company's \$1.25 billion equity units debt outstanding on that date (the majority of which was repurchased and retired in the fourth quarter of 2005). Refer to the company's Form 10-K for the year ended December 31, 2005 for additional information regarding the equity units.